

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Mentor Township	County Oscoda
Fiscal Year End June 30, 2006	Opinion Date November 11, 2006	Date Audit Report Submitted to State November 22, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	None Needed		
Other (Describe)	<input type="checkbox"/>	Not Applicable		
Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, P.C.		Telephone Number 989-826-5442		
Street Address P.O. Box 308		City Mio	State MI	Zip 48647
Authorizing CPA Signature		Printed Name Robert J. Carpenter		License Number #1101008247

**Mentor Township
Oscoda County, Michigan
Financial Report
With Supplemental Information
June 30, 2006**

Mentor Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Mentor Township
Oscoda County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mentor Township as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mentor Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mentor Township as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and pages 22-23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
November 11, 2006

Management's Discussion and Analysis

As management of Mentor Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2006.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$565,446 (*net assets*). Of this amount, \$411,181 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$38,074.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$145,059, a decrease of \$17,985 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$145,059 or 90% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and other. The Township does not have any business-type activities as of and for the year ended June 30, 2006.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains three governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, and Road Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 12-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$565,446 at the close of the most recent fiscal year.

A portion of the Township's net assets (27%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

Governmental Activities		
	<u>June 30, 2005</u>	<u>June 30, 2006</u>
Current and Other Assets	460,249	411,181
Capital Assets, Net	<u>67,423</u>	<u>154,265</u>
Total Assets	527,672	565,446
Current Liabilities		
Total Liabilities	300	-0-
Net Assets:		
Invested in Capital Assets, Net of Related Debt	67,423	154,265
Unrestricted	<u>459,949</u>	<u>411,181</u>
Total Net Assets	527,372	565,446

The Township's net assets increased by \$38,074 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, decreased by \$48,768 or 11%, during fiscal year ended June 30, 2006.

Township's Changes in Net Assets

Governmental Activities	<u>June 30, 2005</u>	<u>June 30, 2006</u>
Revenue:		
Program Revenue:		
Charges for services	12,836	19,454
Operating Grants and Contributions	24,564	20,316
General Revenue:		
Property Taxes	80,932	83,109
State-Shared Revenues	81,565	86,274
Interest and Rent Earnings	6,274	10,338
Other	<u>430</u>	<u>1,163</u>
Total Revenue	208,378	220,654
Expenses:		
General Government	98,958	102,747
Public Safety	41,813	41,381
Public Works	32,899	31,574
Other	4,504	4,858
Infrastructure depreciation	<u>-0-</u>	<u>2,020</u>
Total Expenses	<u>178,174</u>	<u>182,580</u>
Increase in Net Assets	28,127	38,074
Net Assets, Beginning of Year	<u>499,245</u>	<u>527,372</u>
Net Assets, End of Year	<u><u>527,372</u></u>	<u><u>565,446</u></u>

Governmental activities. The Township's total governmental revenues increased by \$12,276 from last fiscal year. This was primarily attributed to an increase in charges for services and interest earnings. Expenses increased by \$4,406. The increase was primarily due to increased general government expenses and infrastructure depreciation.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$411,181, a decrease of \$48,768 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount or \$411,181.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 90% and total fund balance represents 90% of total general fund expenditures.

The fund balance of the General Fund decreased by \$17,985 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire and Road Funds. Each of the budgeted funds were amended during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2006, amounted to \$154,265 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, equipment, and infrastructure. Additions totaled \$94,617 for the fiscal year ended June 30, 2006 with the largest items being infrastructure.

Township's Capital Assets (net of depreciation)

	<u>June 30, 2005</u>	<u>June 30, 2005</u>
Land	12,913	12,913
Land Improvements	1,558	12,798
Buildings	20,187	22,460
Buildings – Fire Department	16,593	15,877
Equipment – Fire Department	12,733	15,167
Furniture and Equipment	3,439	7,800
Infrastructure	-0-	<u>67,250</u>
Total	<u>67,423</u>	<u>154,265</u>

Additional information on the Township's capital assets can be found in note 5 on page 19 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

- Mentor Township has projected revenues to be up slightly due to an increase in property taxes and a full year of operation at the transfer site. Expenditures are anticipated to be down from the 2005-06 year due to a reduction in capital outlay. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mentor Township
P.O. Box 730
Mio, Michigan 48647-0730

Basic Financial Statements

Mentor Township
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 348,340
Due from fiduciary fund	2,347
Receivables: (Note 4)	
Other	-
Intergovernmental	60,494
Capital assets-net (Note 5)	<u>154,265</u>
 Total assets	 <u>565,446</u>
 Liabilities	
Accounts payable	-
Intergovernmental payables	<u>-</u>
 Total liabilities	 <u>-</u>
 Net Assets	
Invested in capital assets, net of related debt	154,265
Unrestricted	<u>411,181</u>
 Total net assets	 \$ <u><u>565,446</u></u>

See accompanying notes to financial statements.

Mentor Township
Statement of Activities
Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General government	\$ 102,747	\$ 19,454	\$ -	\$ (83,293)
Public safety	41,381	-	-	(41,381)
Public works	31,574	-	20,316	(11,258)
Other	4,858	-	-	(4,858)
Infrastructure depreciation	<u>2,020</u>	<u>-</u>	<u>-</u>	<u>(2,020)</u>
Total governmental activities	\$ <u>182,580</u>	\$ <u>19,454</u>	\$ <u>20,316</u>	<u>(142,810)</u>
General Revenues:				
Property taxes - operating				33,898
Property taxes - fire				49,211
State-shared revenues				86,274
Interest and investment earnings				10,338
Other				<u>1,163</u>
Total general revenues				<u>180,884</u>
Change in Net Assets				38,074
Net assets - beginning of year				<u>527,372</u>
Net assets - end of year				<u>\$ 565,446</u>

Amounts reported for governmental activities are different because:

Net Change in Fund Balances - Total Governmental Funds \$ (48,768)

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$ (7,775)	
Capital outlay	<u>94,617</u>	
		<u>86,842</u>
Change in Net Assets of Governmental Activities		<u>\$ 38,074</u>

See accompanying notes to financial statements.

Mentor Township
Governmental Funds
Balance Sheet
June 30, 2006

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 90,243	\$ 135,991	\$ 122,106	\$ 348,340
Accounts receivable	-	-	-	-
Due from other funds	2,313	2,875	5,150	10,338
Due from other governmental units	60,494	-	-	60,494
Prepaid expense	-	-	-	-
Total assets	<u>\$ 153,050</u>	<u>\$ 138,866</u>	<u>\$ 127,256</u>	<u>\$ 419,172</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	7,991	-	-	7,991
Due to other governments	-	-	-	-
Total liabilities	<u>7,991</u>	<u>-</u>	<u>-</u>	<u>7,991</u>
Fund balances				
Unreserved:				
Undesignated:				
General Fund	145,059	-	-	145,059
Special Revenue Funds	-	138,866	127,256	266,122
Total fund balances	<u>145,059</u>	<u>138,866</u>	<u>127,256</u>	<u>411,181</u>
Total liabilities and fund balances	<u>\$ 153,050</u>	<u>\$ 138,866</u>	<u>\$ 127,256</u>	<u>\$ 419,172</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balances - Total Governmental Funds	\$ 411,181
Elimination of due to and due from governmental funds	
Due to	7,991
Due from	(7,991)
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	227,163
Accumulated depreciation is	(72,898)
Net Assets of Governmental Activities	<u>\$ 565,446</u>

See accompanying notes to financial statements.

Mentor Township
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2006

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
Revenues				
Taxes and penalties	\$ 33,898	\$ 49,211	\$ -	\$ 83,109
Licenses and permits	5,218	-	-	5,218
Federal grants	-	-	20,316	20,316
State grants	86,274	-	-	86,274
Charges for services	14,236	-	-	14,236
Interest and rentals	3,220	3,568	3,550	10,338
Other revenue	555	608	-	1,163
Total revenues	<u>143,401</u>	<u>53,387</u>	<u>23,866</u>	<u>220,654</u>
Expenditures				
Current:				
General government	99,738	-	-	99,738
Public safety	6,970	32,129	-	39,099
Public works	28,473	-	2,637	31,110
Other	4,858	-	-	4,858
Capital outlay	21,347	4,000	69,270	94,617
Total expenditures	<u>161,386</u>	<u>36,129</u>	<u>71,907</u>	<u>269,422</u>
Excess of Revenues Over (Under)				
Expenditures	(17,985)	17,258	(48,041)	(48,768)
Fund balance - July 1, 2005	<u>163,044</u>	<u>121,608</u>	<u>175,297</u>	<u>459,949</u>
Fund balance - June 30, 2006	<u>\$ 145,059</u>	<u>\$ 138,866</u>	<u>\$ 127,256</u>	<u>\$ 411,181</u>

See accompanying notes to financial statements.

Mentor Township
Fiduciary Funds
Statement of Net Assets
June 30, 2006

	Trust Fund- Pension Fund	Agency Fund Type (Property Tax Collection Fund)
Assets		
Cash	\$ -	\$ 3,465
Investments - at fair value	57,558	-
Due from other funds	-	-
	<u>-</u>	<u>-</u>
Total assets	\$ <u>57,558</u>	\$ <u>3,465</u>
Liabilities		
Accounts payable	\$ -	\$ -
Due to other funds	-	2,347
Due to other governments	-	1,118
	<u>-</u>	<u>1,118</u>
Total liabilities	<u>-</u>	\$ <u>3,465</u>
Net Assets - Held in Trust for Pension Benefits	\$ <u>57,558</u>	

See accompanying notes to financial statements.

Mentor Township
Fiduciary Fund
Statement of Changes in Net Assets
Year ended June 30, 2006

	Trust Fund- Pension Fund
Additions	
Contributions	
Employer	\$ 3,557
Investment earnings	<u>2,003</u>
Total Additions	5,560
 Deductions	
Administrative expenses	180
Benefits	<u>-</u>
Total deductions	<u>180</u>
 Net increase	5,380
 Net Assets Held in Trust for Pension Benefits	
Beginning of the year	<u>52,178</u>
End of the year	\$ <u><u>57,558</u></u>

See accompanying notes to financial statements.

Mentor Township
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Mentor Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-side financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire fund is used to record property tax revenue, interest earnings and other revenue restricted for providing fire protection services.

The Road Fund is used to record Federal Grants and interest earnings that are restricted for use on Township Roads.

Additionally, the Township reports the following funds:

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Mentor Township
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2005 taxable value of the Township was \$39,916,627. The 2005 tax levy was .8456 mills for general operating purposes raising \$33,753 for general operating purposes and 1.2345 mills for fire protection raising 49,277 for fire protection purposes.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Office furnishings	5-20 years
Other equipment	5-20 years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township does not have any designated fund balance in the operating fund at June 30, 2006.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Mentor Township
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. There were no budget amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Note 2 - Stewardship, Compliance and Accountability

Excess of expenditures over appropriations in budgeted funds:

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
General government:			
Assessor	\$ 9,454	\$ 14,472	\$ 5,018
Township Operations	19,080	19,526	446
Public Works:			
Sewer and Water	6,000	12,420	6,420
Other:			
Social Security	1,275	1,301	26

Mentor Township
Notes to Financial Statements
June 30, 2006

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Mentor Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Mentor Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 348,340	\$ 3,465	\$ 351,805
Investments	-	57,558	57,558
Total	\$ <u>348,340</u>	\$ <u>61,023</u>	\$ <u>409,363</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and CDs)	\$ 351,805
Investments	57,558
	\$ <u>409,363</u>

The deposits of the Township were reflected in the accounts of one financial institution, of which \$200,000 is covered by federal depository insurance.

The only investments are in the Pension Fund. These investments do not allow risk categorization.

The Township has not updated its investment policy to conform with Governmental Accounting Standards Board Statement (GASB) #40.

Mentor Township
Notes to Financial Statements
June 30, 2006

Note 4 - Receivables

Receivables as of year-end for the Township's major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

Receivables:	General Fund	Fire Fund	Road Fund	Fiduciary Fund	Total
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	60,494	-	-	-	60,494
	<u>\$ 60,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,494</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township did not have any deferred revenue at June 30, 2006.

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 12,913	\$ -	\$ -	\$ 12,913
Capital assets being depreciated:				
Land improvements	1,700	-	-	1,700
Land improvements - Transfer site	-	11,766	-	11,766
Buildings	37,356	2,795	-	40,151
Buildings - Fire Department	30,623	-	-	30,623
Buildings - Transfer site	-	675	-	675
Equipment - Fire Department	25,166	4,000	-	29,166
Furniture & equipment	27,886	6,111	3,098	30,899
Infrastructure	-	69,270	-	69,270
Subtotal	<u>122,731</u>	<u>94,617</u>	<u>3,098</u>	<u>214,250</u>
Accumulated Depreciation				
Land improvements	142	85	-	227
Land improvements - Transfer site	-	441	-	441
Buildings	17,169	1,174	-	18,343
Buildings - Fire Department	14,030	716	-	14,746
Buildings - Transfer site	-	23	-	23
Equipment - Fire Department	12,433	1,566	-	13,999
Furniture & equipment	24,447	1,750	3,098	23,099
Infrastructure	-	2,020	-	2,020
Subtotal	<u>68,221</u>	<u>7,775</u>	<u>3,098</u>	<u>72,898</u>
Net capital assets being depreciated	<u>54,510</u>	<u>86,842</u>	<u>-</u>	<u>141,352</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 67,423</u>	<u>\$ 86,842</u>	<u>\$ -</u>	<u>\$ 154,265</u>

Mentor Township
Notes to Financial Statements
June 30, 2006

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,009
Public safety	2,282
Public works	464
Infrastructure	2,020
Total governmental activities	\$ <u>7,775</u>

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		Amount
General Fund	\$ 2,313	General Fund	\$	7,991
Fire Fund	2,875	Fiduciary Funds		2,347
Road Fund	5,150			
Total	\$ <u>10,338</u>	Total	\$	<u>10,338</u>
<u>Transfers In</u>		<u>Transfers Out</u>		
None	\$ -	None	\$	-

Note 7 - Risk Management

Mentor Township is exposed to various risks of loss related to theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

Mentor Township provides pension benefits for the Township Board through a defined contribution plan. The plan is administered by Municipal Retirement Systems, Inc. which invests the Township's contributions with Gleaner Life Insurance Society. The investments consist of individual retirement annuities and totaled \$57,558 as of June 30, 2006.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The plan requires the Township to contribute 7.5% of the participant earnings and does not allow participants to make contributions. The Township's contributions for each participant are fully vested when paid to the plan. A participant that leaves the employment of the Township is entitled to the balance in his individual annuity account.

The Township's total payroll for the year ended June 30, 2006 was approximately \$69,615. The payroll of the eligible participants was \$45,027; the Township made the required contribution of \$3,377. The administrative fee of \$180 was paid in addition to the required contribution.

Mentor Township
Notes to Financial Statements
June 30, 2006

Note 8 - Pension Plan (Continued)

No pension provision changes occurred during the year that affected the required contributions to be made by the Township . The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

Note 9 - Joint Venture - Utility Authority

The Township is a participant in a joint venture with Big Creek Township. The Big Creek - Mentor Utility Authority operates and maintains a water and sewer system. Each of the townships appoint two members to the Utility Authority Board, these four members then appoint the fifth member from the residents of the two townships. Mentor Township has a 50 percent interest in the venture and has advanced \$60,494 to the Utility Authority.

At March 31, 2005, the date of the most recent available financial statements, the Utility Authority had assets of \$9,225,691 which consisted of cash and receivables totaling \$702,577 and net fixed assets of \$8,523,114. Liabilities were \$2,201,410 and equity was \$7,024,281. Complete separate financial statements for the Utility Authority are available at the Mentor Township offices, 216 10th Street, Mio, Michigan.

Note 10 - Joint Venture - Fire Protection

The Township is a participant in a joint venture, Tri-Town Fire Department, with the Townships of Big Creek and Elmer for the purpose of providing fire protection services to the residents of the townships. The Tri-Town Fire Board is composed of the Supervisor of each of the three townships, two township board members from Big Creek Township and one township board member from each of Mentor Township and Elmer Township.

Mentor Township's financial support of the Tri-Town Fire Department is determined on a ratio of Mentor Township's state equalized valuation compared to the total state equalized valuation of all three townships. This percentage for the year ended March 31, 2006 was approximately 25%, and the amount contributed was \$16,289.

The most recent available financial statement of Tri-Town Fire Department shows a cash balance of \$44,361 as of March 31, 2006 and a total of \$218,012 in fixed assets, net of depreciation. The Department has liabilities of \$815 and net assets of \$261,558. A complete set of financial statements are available at the office of Tri-Town Fire Department, 1508 11th Street, Mio, Michigan.

Required Supplemental Information

Mentor Township
 Budgetary Comparison Schedule - General Fund
 Year ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>2006</u>	<u>2006</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Over (Under)</u>
Fund Balance - Beginning of year	\$ 163,044	\$ 163,044	\$ 163,044	\$ -
Resources (Inflows)				
Taxes and fees	33,882	33,747	33,898	151
Licenses and permits	1,600	1,600	5,218	3,618
Federal grants	-	-	-	-
State grants	82,000	82,000	86,274	4,274
Charges for services	20,249	23,050	14,236	(8,814)
Interest and rentals	600	600	3,220	2,620
Other	2,200	2,200	555	(1,645)
Amounts available for appropriation	<u>303,575</u>	<u>306,241</u>	<u>306,445</u>	<u>204</u>
Charges to Appropriations (Outflows)				
General government	97,216	97,176	99,738	2,562
Public works	26,180	36,985	28,473	(8,512)
Community/Economic Development	7,360	7,360	6,970	(390)
Other	4,775	4,875	4,858	(17)
Capital outlay	5,000	21,500	21,347	(153)
Total charges to appropriations	<u>140,531</u>	<u>167,896</u>	<u>161,386</u>	<u>(6,510)</u>
Fund Balance - end of year	\$ <u>163,044</u>	\$ <u>138,345</u>	\$ <u>145,059</u>	\$ <u>6,714</u>

Mentor Township
Budgetary Comparison Schedule - Fire Fund
Year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	2006	2006	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 125,800	\$ 121,608	\$ 121,608	\$ -
Resources (Inflows)				
Taxes and fees	46,789	46,789	49,211	2,422
Federal grants	-	-	-	-
State grants	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	-	-	3,568	3,568
Other	300	300	608	308
Amounts available for appropriation	<u>172,889</u>	<u>168,697</u>	<u>174,995</u>	<u>6,298</u>
Charges to Appropriations (Outflows)				
Public safety	37,189	37,189	32,129	(5,060)
Capital outlay	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total charges to appropriations	<u>41,189</u>	<u>41,189</u>	<u>36,129</u>	<u>(5,060)</u>
Fund Balance - end of year	<u>\$ 131,700</u>	<u>\$ 127,508</u>	<u>\$ 138,866</u>	<u>\$ 11,358</u>

Mentor Township
Budgetary Comparison - Road Fund
Year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	2006	2006	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 175,297	\$ 175,297	\$ 175,297	\$ -
Resources (Inflows)				
Federal grants	17,000	17,000	20,316	3,316
State grants	-	-	-	-
Interest and rentals	-	-	3,550	3,550
Other	2,100	2,100	-	(2,100)
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>194,397</u>	<u>194,397</u>	<u>199,163</u>	<u>4,766</u>
Charges to Appropriations (Outflows)				
Public works	6,500	6,500	2,637	(3,863)
Infrastructure	<u>120,219</u>	<u>128,719</u>	<u>69,270</u>	<u>(59,449)</u>
Total charges to appropriations	<u>126,719</u>	<u>135,219</u>	<u>71,907</u>	<u>(63,312)</u>
Fund Balance - end of year	<u>\$ 67,678</u>	<u>\$ 59,178</u>	<u>\$ 127,256</u>	<u>\$ 68,078</u>

Supplemental Information

Mentor Township
General Fund
Detail of Revenues - Budget and Actual
Year ended June 30, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 33,747	\$ 33,898	\$ 151
Licenses and permits	1,600	5,218	3,618
Federal grants	-	-	-
State grants	82,000	86,274	4,274
Charges for services	23,050	14,236	(8,814)
Interest and rentals	600	3,220	2,620
Other	2,200	555	(1,645)
Total Revenues	\$ <u>143,197</u>	\$ <u>143,401</u>	\$ <u>204</u>

Mentor Township
General Fund
Detail of Expenditures - Budget & Actual
Year ended June 30, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Expenditures			
Current			
General Government			
Legislative	\$ 4,697	\$ 4,697	\$ -
Supervisor	7,416	7,416	-
Elections	630	230	400
Assessor	9,454	14,472	(5,018)
Legal	2,000	1,918	82
Clerk	12,567	12,297	270
Audit	2,500	2,500	-
Board of Review	800	800	-
Treasurer	24,962	23,019	1,943
Township Operations	19,080	19,526	(446)
Cemetery	13,070	12,863	207
Total General Government	<u>97,176</u>	<u>99,738</u>	<u>(2,562)</u>
Public Works			
Street lighting	12,600	12,529	71
Sewer and Water	6,000	12,420	(6,420)
Recycle/Compost	380	380	-
Transfer site	18,005	3,144	14,861
Total Public Works	<u>36,985</u>	<u>28,473</u>	<u>8,512</u>
Community/Economic Development			
Zoning and Planning	<u>7,360</u>	<u>6,970</u>	<u>390</u>
Other			
Social security	1,275	1,301	(26)
Pension	3,600	3,557	43
Miscellaneous	-	-	-
Total Other	<u>4,875</u>	<u>4,858</u>	<u>17</u>
Capital Outlay			
Assessor	4,000	3,982	18
Township Operations	4,170	4,095	75
Cemetery	830	829	1
Transfer site	12,500	12,441	59
Total Capital Outlay	<u>21,500</u>	<u>21,347</u>	<u>153</u>
Total Expenditures	\$ <u>167,896</u>	\$ <u>161,386</u>	\$ <u>6,510</u>

Mentor Township
Statement of Changes in Assets and Liabilities
All Agency Funds
Year ended June 30, 2006

		Current Tax Collection Fund			
		Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Assets					
Cash	\$	<u>3,897</u>	<u>1,153,704</u>	<u>1,154,136</u>	<u>3,465</u>
Liabilities					
Due to other funds	\$	1,627	\$ 74,084	\$ 73,364	\$ 2,347
Due to county		736	527,062	527,307	491
Due to schools		1,534	550,050	550,957	627
Due to utility authority		-	-	-	-
Refunds		<u>-</u>	<u>2,508</u>	<u>2,508</u>	<u>-</u>
Total liabilities	\$	<u>3,897</u>	<u>1,153,704</u>	<u>1,154,136</u>	<u>3,465</u>